SAVAGE VOLUNTEER FIRE COMPANY, INC. Savage, Maryland

FINANCIAL STATEMENT June 30, 2006

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Independent Auditor's Report

The Honorable County Council Savage Volunteer Fire Company, Inc. Howard County, Maryland

We have audited the statement of cash receipts and disbursements of the County's operating fund – actual and budget of Savage Volunteer Fire Company, Inc. ("Company") for the year ended June 30, 2006. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements of the County's operating fund – actual and budget is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the Summary of Significant Accounting Policies, this financial statement was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In addition, this statement was prepared to comply with requirements specified by the Howard County government and is not a complete presentation of the Savage Volunteer Fire Company, Inc.'s cash, cash receipts and disbursements.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the County's operating fund – actual and budget of the Savage Volunteer Fire Company, Inc. for the year ended June 30, 2006, on the basis of accounting described in the Summary of Significant Accounting Policies.

Our audit was performed for the purpose of forming an opinion on the financial statement taken as a whole. The accompanying supplemental information, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement. The additional information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

· Gendersen LLP

Baltimore, Maryland September 15, 2006

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SAVAGE VOLUNTEER FIRE COMPANY, INC. STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS OF THE COUNTY'S OPERATING FUND – ACTUAL AND BUDGET Year Ended June 30, 2006

	***************************************	Actual		Budget
RECEIPTS				
Howard County, Maryland	\$	391,050	\$	391,050
Insurance claims		10,116		-
Interest		669		-
Miscellaneous	***************************************	3,766		***
Total receipts	· · · · · · · · · · · · · · · · · · ·	405,601		391,050
DISBURSEMENTS				
Contractual services		146,325		129,250
Materials and supplies		201,593		187,800
Business and travel expenses		66,436		48,000
Capital outlay		12,157		26,000
Miscellaneous	suur suu	706		
Total disbursements		427,217		391,050
DECREASE IN CASH DURING THE YEAR		(21,616)	<u>\$</u>	•
CASH BALANCE, BEGINNING OF YEAR		76,624		
CASH BALANCE, END OF YEAR	<u>\$</u>	55,008		

This financial statement should be read only in connection with the accompanying summary of significant accounting policies and note to financial statement.

SAVAGE VOLUNTEER FIRE COMPANY, INC. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES June 30, 2006

Savage Volunteer Fire Company, Inc. ("Company"), located in Howard County, Maryland is a full service public service organization providing Fire Suppression, Rescue, and Paramedic level Emergency Medical Services. The Company accomplishes its daily goal of quality service to the citizens of Howard County with a group of dedicated volunteers, as well as a complement of Howard County Department of Fire and Rescue Services Personnel.

BASIS OF ACCOUNTING

The financial statement has been prepared on the cash basis of accounting and is not intended to present the results of operations in conformity with generally accepted accounting principles. Under the cash basis of accounting, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recognized. However, significant amounts committed through encumbrance, if any, as of year-end are disclosed for informational purposes.

The budget is determined by the Howard County Council during its annual budgetary process. It represents the Company's portion of the County's total budget.

This statement includes the cash receipts and disbursements of the County's operating account of the Savage Volunteer Fire Company, Inc. Certain financial activities of the Company are accounted for separately and the related cash accounts are not included in this financial statement.

The cash basis differs from generally accepted accounting principles primarily because of the following:

- Accounts receivable are not reflected as revenue.
- The purchase of inventories and fixed assets are reflected as disbursements as opposed to assets, and the related use of inventories and depreciation of fixed assets are not reflected as expenses.
- Accounts payable are not included as expenses.

SAVAGE VOLUNTEER FIRE COMPANY, INC. NOTE TO FINANCIAL STATEMENT June 30, 2006

NOTE 1 – ENCUMBRANCES

Significant encumbrances, which consist of purchase orders, contracts and other commitments for the expenditure of funds, totaled \$12,628 as of June 30, 2006. These included \$2,325 for firefighting equipment, \$612 for services and maintenance, \$5,459 for vehicle maintenance, \$3,530 for utilities, and \$702 for telephone.

SUPPLEMENTAL INFORMATION

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SAVAGE VOLUNTEER FIRE COMPANY, INC. SCHEDULE OF CASH RECEIPTS – ACTUAL AND BUDGET Year Ended June 30, 2006

The Company's cash receipts from the Howard County, Maryland operating fund consist of the following:

	Actual	Actual Budget	
Howard County, Maryland			
Operating funds	\$ 365,050	\$ 365,050	
Capital funds	26,000	26,000	
TOTAL	\$ 391,050	<u>\$ 391,050</u>	

SAVAGE VOLUNTEER FIRE COMPANY, INC. SCHEDULE OF CASH DISBURSEMENTS – ACTUAL AND BUDGET Year Ended June 30, 2006

The Company's cash disbursements from the County's operating fund by budgetary object are as follows:

	Actual	Budget
Contractual Services	•	
202 - Utilities	\$ 29,45	5 \$ 32,000
203 - Telephone	10,89	8,000
205 - Insurance	29,44	5 19,000
206 - Professional	32,19	44,000
207 - Service and maintenance	36,70	0 22,000
235 - Fire extinguisher maintenance	43	7 750
237 - Pest control	1,29	2 1,000
240 - Overhead door maintenance	5,90	5 2,500
TOTAL	\$ 146,32	5 \$ 129,250
Materials and Supplies		
301 - Printing	\$ 42	9 \$ 1,600
302 - Postage	64	7 1,500
303 - Janitorial supplies	6,19	7,000
304 - Food	3,66	9 3,000
305 - Office supplies	5,70	5,200
306 - Auto supplies	9,12	9 10,000
307 - Tools	42	0 1,000
308 - General supplies	8,08	6 8,000
318 - Landscaping supplies	-	2,000
342 - Uniforms	15,39	7,000
343 - Protective equipment	23,94	1 20,000
344 - Firefighting equipment	31,75	8 18,000
345 - Medical supplies	28,09	8 30,000
347 - Pharmaceuticals	7,15	7 20,000
351 - Photo supplies	-	1,000
352 - Computer supplies	5,24	1 2,000
370 - Library books	16	6 500
373 - Vehicle maintenance	55,57	2 50,000
TOTAL	\$ 201,59	\$ 187,800

SAVAGE VOLUNTEER FIRE COMPANY, INC. SCHEDULE OF CASH DISBURSEMENTS – ACTUAL AND BUDGET Year Ended June 30, 2006

(Continued)

	<u>Actual</u>		Budget	
Business and Travel Expenses				
410 - Vehicle fuels	\$	57,060	\$	30,000
412 - Private vehicle expense				100
414 - Subsistence		356		6,000
415 - Subscriptions		650		500
416 - Membership dues		470		400
417 - Tuition reimbursement		-		1,000
418 - Seminars and meetings		7,500		3,000
420 - Training courses	-	400	***************************************	7,000
TOTAL		66,436	\$	48,000
Capital Outlay				
502 - Building		12,157		26,000
Miscellaneous				
607 - Miscellaneous	\$	706		-